

STATE CORPORATION COMMISSION

AT RICHMOND, SEPTEMBER 13, 2006

APPLICATION OF

VIRGINIA NATURAL GAS, INC.

CASE NO. PUE-2006-00095

For Approval of an Experimental
Weather Normalization Adjustment
for General Service Customers

2006-09-13 12:29:20

100-10011001

ORDER FOR NOTICE AND HEARING

On August 18, 2006, Virginia Natural Gas, Inc. ("VNG" or the "Company") filed a "Motion to Make Permanent Weather Normalization Adjustment Rider for Residential Customers [('Motion')] and Application for an Experimental WNA Rider for General Service Customers [('Application')]," in Case No. PUE-2002-00237 with the State Corporation Commission ("Commission"). Subsequently, the Commission issued a Final Order granting the Motion, dismissing Case No. PUE-2002-00237, and noting that the Commission would forthwith establish a separate docket for the Application and issue a procedural order therein.

In its Application, the Company asserts that it was not precluded from conducting further studies of the Weather Normalization Adjustment rider ("WNA") for the General Service Class or from applying to modify and re-implement the WNA for the General Service Class at a later time. VNG requests in its Application that the WNA apply to its General Service Customer Class, i.e., Rate Schedule 2--General Firm Gas Sales Service and Rate Schedule 4--General Air Conditioning Firm Gas Sales Service, on an experimental basis, subject to notice and hearing. According to VNG, its proposed Experimental WNA General Service Customer Rider C employs a usage per customer per heating degree day that is derived from a regression analysis of the entire class. The customers' bills are then adjusted based on an average usage per heating

degree day factor and the difference in actual and normal weather during the billing cycle.

According to VNG, the revised methodology proposed in Rider C provides for the weather normalization process to be customer specific. Under VNG's proposal, each individual General Service Customer's base usage would be determined and the impact of non-normal weather on the customer's actual usage would be computed each billing cycle during the heating season.

According to VNG, proposed Rider C addresses the many differences in the usage profiles of the customers who make up the General Service Class.

VNG proposes to compute the WNA for General Service Customers as follows: For each day of the billing cycle, 30-year normal degree days¹ will be determined based on the most recent 30 years ending June. These daily values will be summed to determine the 30-year average degree days for the billing cycle. The actual degree days during that billing cycle will be determined and then divided by the average degree days just calculated, and the value of 1.0 will be subtracted from the resulting ratio to yield the percent deviation of actual degree days to normal degree days.

For each customer who consumes natural gas during summer months, VNG proposes to compute the customer's Base Use of gas, i.e., the average daily consumption of a customer in CCF (hundred cubic feet), if any, during designated summer months, for the billing months of July, August, and September just preceding the WNA Period, i.e., the six month period beginning with bill cycle 10 in November of each year. For summer-usage customers who lack sufficient usage history during the current year to compute Base Use, VNG states that it may substitute consumption data from the same billing months for the prior year if available for the

¹ VNG's Application and proposed Rider C define a "Degree Day" as the average daily temperature subtracted from a reference temperature of 65 degrees, the value of which shall be zero or greater. The Application and proposed Rider C define "Normal Degree Days" as the average of degree days over a thirty-year period for a designated unit of time.

same premises. Otherwise, the value of Base Use for summer-usage customers for the current WNA period will be computed equal to 38% of the daily CCF consumption from the first billing month of the current WNA period.

VNG proposes to compute for each customer the Net Winter Use, i.e., the monthly consumption of a customer in CCF during the WNA Period minus the product of the customer's Base Use times the number of billing days in the month to which the WNA applies, for each applicable bill cycle during the WNA period.

The Company also seeks to compute the WNA for each customer as a product of three variables: (1) the customer's Net Winter Usage times (2) the percent deviation of actual degree days to normal degree days times (3) the applicable Non-Gas Rate, i.e., a billing rate per CCF equal to \$0.20238. If a customer's bill is based on a consumption period significantly different from a full billing cycle, a WNA factor will be calculated separately for that customer.

VNG proposes that its Rider C will be billed commencing with billing cycle 10 and continuing for a total of six (6) billing cycles for each customer.

NOW THE COMMISSION, upon consideration of the Application, is of the opinion and finds that in accordance with the provisions of § 56-234 of the Code of Virginia, Rider C, Experimental Weather Normalization Adjustment Rider for General Service Customers, shall not take effect until approved by order of the Commission after notice and hearing and a finding that such experiment is necessary in order to acquire information which is or may be in furtherance of the public interest; that a Hearing Examiner should be appointed to conduct all further proceedings in this matter on behalf of the Commission, concluding with the filing of a final report with the Commission; and that a procedural schedule should be established as prescribed herein. We further find that VNG should be directed to give public notice of its Application and

that interested parties should be given an opportunity to file comments, and/or testimony and exhibits addressing the contents of VNG's proposal and whether the Company's proposed WNA should be approved as an "experiment" under § 56-234 of the Code of Virginia.

Accordingly, IT IS ORDERED THAT:

(1) The Application is docketed as Case No. PUE-2006-00095 and, in accordance with the provisions of § 56-234 of the Code of Virginia, VNG shall not implement Rider C, Experimental Weather Normalization Adjustment Rider for General Service Customers until this Rider is approved by order of the Commission after notice and hearing and a finding that such experiment is necessary in order to acquire information which is or may be in furtherance of the public interest.

(2) As provided by § 12.1-31 of the Code of Virginia and Rule 5 VAC 5-20-120 of the Commission's Rules of Practice and Procedure, a Hearing Examiner is hereby appointed to conduct all further proceedings in this matter on behalf of the Commission, concluding with the filing of a final report with the Commission.

(3) The Company shall prefile an original and fifteen (15) copies of direct testimony and exhibits supporting its Application with the Clerk of the Commission on or before October 11, 2006, and shall serve a copy of same upon each respondent herein and upon the Commission's Staff.

(4) A public hearing shall be convened before a Hearing Examiner on February 26, 2007, at 10:00 a.m., in the Commission's Courtroom, located on the Second Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia to receive comments from members of the public and to receive evidence on VNG's Application. Any person not participating as a respondent as provided in Ordering Paragraph (6) below, may offer oral testimony concerning

the Application as a public witness at the public hearing. Public witnesses desiring to make statements at the public hearing concerning VNG's Application need only appear in the Commission's Second Floor Courtroom in the Tyler Building at the address set forth above at 9:45 a.m. on the day of the hearing and register a request to speak with the Commission's bailiff.

(5) Upon written request received by its counsel, the Company shall provide a copy of the Application, testimony, and supporting materials to the requesting person at no cost. If acceptable to the requesting person, the Company may provide the Application, with or without attachments, by electronic means. Written requests for a copy of the Application, testimony, and supporting materials shall be directed to counsel for VNG, Edward L. Flippen, Esquire, and Kristian M. Dahl, Esquire, McGuireWoods LLP, One James Center, 901 East Cary Street, Richmond, Virginia 23219. Interested persons may also review a copy of the Application, the Commission's Order for Notice and Hearing, and other Orders entered herein at the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday. Interested persons may access unofficial copies of VNG's Application through the Commission's Document Search Portal at <http://www.scc.virginia.gov/caseinfo.htm>.

(6) Any interested person desiring to participate as a party in this proceeding shall file on or before November 10, 2006, an original and fifteen (15) copies of a notice of participation as a respondent with the Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. A respondent shall, on or before November 10, 2006, serve a copy of the notice of participation on counsel for VNG, Edward L. Flippen, Esquire, and Kristian M. Dahl, Esquire, McGuireWoods LLP, One James Center, 901 East Cary Street, Richmond, Virginia 23219. Pursuant to Rule 5 VAC 5-20-80 of the Commission's Rules of

Practice and Procedure, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent, (ii) a statement of the specific action sought to the extent then known, and (iii) the factual and legal basis for the action. Interested persons shall refer in all of their filed papers to Case No. PUE-2006-00095.

(7) Within five (5) business days of receipt of a notice of participation, the Company shall serve upon each respondent a copy of this Order, a copy of the Application, and all materials filed by the Company with the Commission in this proceeding, unless these materials have already been provided to the respondent.

(8) On or before December 21, 2006, each respondent shall file with the Clerk of the Commission an original and fifteen (15) copies of any testimony and exhibits by which it expects to establish its case and shall serve copies of the testimony and exhibits on counsel to the Company and on all other respondents. The respondent shall comply with Rules 5 VAC 5-20-140, 5 VAC 5-20-150, and 5 VAC 5-20-240 of the Commission's Rules of Practice and Procedure.

(9) On or before December 21, 2006, interested persons wishing to submit written comments on VNG's Application as a public witness, but not wishing to participate as a respondent pursuant to Ordering Paragraph (6) herein, shall file an original and fifteen (15) copies of such written comments with the Clerk of the Commission at the address set forth in Ordering Paragraph (6) herein and shall refer to Case No. PUE-2006-00095. A copy of such comments shall be mailed or hand-delivered to counsel for VNG, Edward L. Flippen, Esquire, and Kristian M. Dahl, Esquire, at the address set out in Ordering Paragraph (6) herein on or before December 21, 2006.

(10) Public witnesses desiring to submit comments electronically may do so by following the instructions available at the Commission's website: <http://www.scc.virginia.gov/caseinfo.htm>. *Electronic comments should be submitted on or before December 21, 2006.*

(11) The Commission Staff shall investigate VNG's Application and file with the Clerk of the Commission, on or before January 31, 2007, an original and fifteen (15) copies of the Staff's testimony and exhibits regarding VNG's Application. Staff shall serve a copy of said testimony and exhibits on counsel to the Company and upon all respondents.

(12) On or before February 13, 2007, VNG shall file with the Clerk of the Commission an original and fifteen (15) copies of any rebuttal testimony, exhibits, and documents that the Company expects to offer in rebuttal to the testimony and exhibits of the respondents and the Commission Staff and shall on the same day serve copies of the rebuttal testimony, exhibits and documents upon the Commission Staff and upon each respondent, respectively.

(13) The Commission's Rules of Practice and Procedure, 5 VAC 5-20-260, *Interrogatories to parties or requests for production of documents and things, shall be modified* for this proceeding as follows: (i) answers shall be served within ten (10) business days after receipt of interrogatories or requests for production of documents; (ii) objections shall be served within seven (7) calendar days after receipt of interrogatories or requests for production of documents; and (iii) motions on the validity of any objections shall be filed within ten (10) calendar days of receipt of any objection.

(14) On or before October 13, 2006, VNG shall cause the following notice to be published as display advertising (not classified) once a week for two consecutive weeks in newspapers of general circulation throughout the Company's service territory within the Commonwealth of Virginia:

NOTICE TO THE PUBLIC OF AN APPLICATION OF
VIRGINIA NATURAL GAS, INC., FOR APPROVAL OF AN
EXPERIMENTAL WEATHER NORMALIZATION
ADJUSTMENT FOR GENERAL SERVICE CUSTOMERS--
CASE NO. PUE-2006-00095

On August 18, 2006, Virginia Natural Gas, Inc. ("VNG" or the "Company") filed an Application with the State Corporation Commission ("Commission") for approval of a Weather Normalization Adjustment ("WNA") that would be applicable to General Firm Sales Service customers, *i.e.*, Rate Schedule 2--General Firm Gas Sales Service and Rate Schedule 4--General Air Conditioning Firm Gas Sales Service as an experiment under § 56-234 of the Code of Virginia, subject to notice and hearing. According to the Company's Application, a WNA provides a surcharge or credit to a customer's bill based on deviations in actual degree days from normal degree days, *i.e.*, whether weather is colder or warmer than normal.

As explained by VNG, the methodology proposed as Rider C, Experimental Weather Normalization Adjustment Rider for General Service Customers, provides for the weather normalization process to be customer specific. Each individual General Service Customer's base usage is determined and the impact of non-normal weather on the individual customer's actual usage will be computed for each billing cycle during the heating season. Specifically, VNG proposes that for each day of the billing cycle, 30-year normal degree days will be determined based on the most recent 30 years ending June. These daily values will be summed to determine the 30-year average degree days for the billing cycle. The actual degree days during that billing cycle will be determined and then divided by the average degree days just calculated, and the value of 1.0 will be subtracted from the resulting ratio to yield the percent deviation of actual degree days to normal degree days.

For each customer who consumes natural gas during summer months, VNG proposes to compute the customer's Base Use (average daily consumption of a customer in hundred cubic feet, *i.e.*, CCF, if any, during designated summer months) for the billing months of July, August, and September just preceding the WNA Period (the six-month period beginning with bill cycle 10 in November of each year). For summer-usage customers who lack a sufficient history during the current year to compute a customer's Base Use, VNG may substitute consumption data from the same billing months for the prior year if available for the same premises.

Otherwise, the value of Base Use for summer-usage customers for the current WNA period will be computed equal to 38% of the daily hundred cubic feet consumption of natural gas from the first billing month of the current WNA period. VNG proposes to compute a WNA for each General Service Customer as a product of three variables: (1) the customer's Net Winter Gas Usage, times (2) the percent deviation of actual degree days to normal degree days, times (3) the applicable Non-Gas Rate, i.e., a billing rate per hundred cubic feet equal to \$0.20238.

The details of VNG's proposal are set out in VNG's Application and supporting materials. Interested persons are encouraged to review VNG's Application and supporting documents for these details. The Commission's Order for Notice and Hearing entered in Case No. PUE-2006-00095 provides that VNG may not implement Rider C until the Rider is approved by the Commission after notice and hearing and a finding that such experiment is necessary in order to acquire information which is or may be in furtherance of the public interest.

A public hearing on VNG's Application is scheduled to be convened on February 26, 2007, at 10:00 a.m., before a Hearing Examiner assigned by the Commission, in the Commission's second floor courtroom, located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219. Individuals with disabilities who require an accommodation to participate in the hearing should contact the Commission at least seven (7) days before the scheduled hearing at 1-800-552-7845 (voice) or 1-804-371-9206 (TDD).

Interested persons may review a copy of VNG's Application and the Commission's Order for Notice and Hearing in the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday. A copy of the Application, testimony, and supporting materials may also be obtained at no cost by interested persons by requesting the same from counsel for VNG, Edward L. Flippen, Esquire, and Kristian M. Dahl, Esquire, McGuireWoods LLP, One James Center, 901 East Cary Street, Richmond, Virginia 23219. Interested persons may also access unofficial copies of the Application through the Commission's Document Search Portal at <http://www.scc.virginia.gov/caseinfo.htm>. VNG will make a copy of its Application available on an electronic basis upon request.

On or before November 10, 2006, interested persons who want to participate in the proceeding must file an original and fifteen (15) copies of a notice of participation as a respondent pursuant to Rule 5 VAC 5-20-80 B of the Commission's Rules of Practice and Procedure with the Clerk of the Commission at the address set forth below. A respondent shall serve a copy of its notice of participation upon counsel for VNG at the address set forth above, on or before November 10, 2006. Any notice of participation shall set forth: (i) a precise statement of the interest of the respondent, (ii) a statement of the specific action sought to the extent then known, and (iii) the factual and legal basis for the action.

On or before December 21, 2006, each respondent shall file with the Clerk of the Commission at the address set forth below an original and fifteen (15) copies of the testimony and exhibits the respondent intends to offer in support of its notice of participation and shall, on the same day, serve one (1) copy of such testimony and exhibits on counsel for VNG, the Commission Staff, and all other respondents, respectively. The respondent shall comply with Rules 5 VAC 5-20-140, 5 VAC 5-20-150, and 5 VAC 5-20-240 of the Commission's Rules of Practice and Procedure. Respondents should refer to the Commission's Order for Notice and Hearing for further details of participation as a respondent.

On or before December 21, 2006, any person wishing to comment on the contents of VNG's proposal and whether the proposed WNA should be approved as an "experiment" under § 56-234 of the Code of Virginia shall file an original and fifteen (15) copies of written comments with the Clerk of the Commission at the address set forth below and shall, on the same day, serve a copy of any such comments on counsel for VNG at the address set forth above.

Interested persons desiring to submit comments electronically may do so by following the instructions available at the Commission's website: <http://www.scc.virginia.gov/caseinfo.htm> and referring to Case No. PUE-2006-00095, and should submit such electronic comments on or before December 21, 2006.

Interested persons shall refer in all of their filed papers to Case No. PUE-2006-00095. All comments, notices of participation, testimony, and exhibits shall be filed with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, and shall be simultaneously served upon counsel for VNG, Edward L. Flippen,

Esquire, and Kristian M. Dahl, Esquire, McGuireWoods LLP, at the address set forth above. The unofficial text of the Commission's Order for Notice and Hearing, other orders entered herein, and the Commission's Rules of Practice and Procedure, as well as other information concerning the Commission and the statutes it administers, may be viewed on the Commission's website at <http://www.scc.virginia.gov/caseinfo.htm>.

VIRGINIA NATURAL GAS, INC.

(15) On or before October 13, 2006, the Company shall serve a copy of the Commission's Order for Notice and Hearing by personal delivery or by first-class mail, postage prepaid, upon the Chairman of the board of supervisors and the County Attorney of each county and upon the Mayor or Manager of every city and town (or upon equivalent officials in counties, towns, and cities having alternative forms of government) in which the Company provides service in the Commonwealth of Virginia. Service shall be made by first-class mail to the customary place of business or residence of the person served.

(16) On or before January 31, 2007, VNG shall file with the Clerk of the Commission proof of publication and service required in Ordering Paragraphs (14) and (15) herein.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

Edward L. Flippen, Esquire, and Kristian M. Dahl, Esquire, McGuireWoods LLP, One James Center, 901 East Cary Street, Richmond, Virginia 23219; Elizabeth B. Wade, Esquire, AGL Resources Inc., Ten Peachtree Place, N.W., 15th Floor, Atlanta, Georgia 30309; C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of Attorney General, 900 East Main Street, 2nd Floor, Richmond, Virginia 23219; Richard D. Gary, Esquire, Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219; David W. Clarke, Esquire, LeClair Ryan, P.C., 4201 Dominion Boulevard, Suite 200, Glen Allen, Virginia 23060; Dale P. Lee, Vice President and Secretary,

Roanoke Gas Company, 519 Kimball Avenue, N.E., Roanoke, Virginia 24030; John J. Reynolds, 1508 Edenburry Drive, Richmond, Virginia 23233; Louis R. Monacell, Esquire, and Michael J. Quinan, Esquire, Christian & Barton, L.L.P., 909 East Main Street, Suite 1200, Richmond, Virginia 23219-3095; and the Commission's Divisions of Public Utility Accounting, Economics and Finance, and Energy Regulation.